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## **Abstract**

As it is known, all former Soviet states faced serious economical and social problems after they gained independency. At this stage of history, these countries took into their hands responsibilities for self-development. To overcome their problems, they tried to find and imply suitable policy in all spheres of social life. In order to strengthen their economy, they had to look their capability and capacity, and use them in the right direction. However, many factors such as cut off the link between the main provider of the Soviet Union, Russia and other republics, problems in management, the lack of experience in market economy brought to serious problems in these countries. As a result, production process was seriously damaged in all sectors of their economy. Consequently, without being able to manufacture products, these countries began to focus on the raw materials, not considering effects of economic dependency on natural recourses.

In the proposed paper, the authors will make an attempt to explore natural resources and economical growth in Central Asia and Caucasus and analyze positive and negative effects of natural resources in these countries.

**Keyterms:** Natural resources, Economical growth, Central Asia, Caucasus, etc.

## 1. Natural Resource and Economic Growth

There is a curious phenomenon that economists call the resource curse - so named because, on average, countries with large endowments of natural resources perform worse than countries that are less well endowed. Yet some countries with abundant natural resources do perform better than others, and some have done well.<sup>53</sup>

The idea that natural resources might be more an economic curse than a blessing began to emerge in the 1980s. In this light, the term resource curse thesis was first used by Richard Auty in 1993 to describe how countries rich in natural resources were unable to use that wealth to boost their economies and how, counter-intuitively, these countries had lower economic growth than countries without an abundance of natural resources.<sup>54</sup> Numerous studies, including one by Jeffrey Sachs and Andrew Warner, have shown a link between natural resource abundance and poor economic growth.<sup>55</sup> These disconnect between natural resource wealth and economic growth can be seen by looking at an example from the oil-producing countries. From 1965-1998, in the OPEC countries, gross national product per capita growth decreased on average by 1.3%, while in the rest of the developing world, per capita growth was on average 2.2%.<sup>56</sup> Some argue that financial flows from Foreign Aid can provoke effects that are similar to the Resource Curse.<sup>57</sup>

Economists put forward three reasons for the dismal performance of some richly endowed countries:

- First, the prospect of riches orients official efforts to seizing a larger share of the pie, rather than creating a larger pie. The result of this wealth grab is often war. At other times simple rent-seeking behavior by officials, aided and abetted by outsiders, is the outcome. It is

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53 Joseph E. Stiglitz The Resource Curse Revisited, <http://www.project-syndicate.org/commentary/stiglitz48>

54 Auty, Richard M. (1993). Sustaining Development in Mineral Economies: The Resource Curse Thesis. London: Routledge.

55 Sachs, Jeffrey D., Warner, Andrew M. (1995). Natural resource abundance and economic growth. NBER Working Paper 5398

56 Gylfason, Thorvaldur (2000). Natural resources, education and economic development. CEPR Discussion Paper 2594.

57 Djankov, Montalvo, Reynal-Querol (2005). The curse of aid.

cheaper to bribe a government to provide resources at below-market prices than to invest and develop an industry, so it is no surprise that some firms succumb to this temptation.

- Second, natural resource prices are volatile, and managing this volatility is hard. Lenders provide money when times are good, but want their money back when, say, energy prices plummet. (As the old adage has it, banks only like to lend to those who do not need money.) Economic activity is thus even more volatile than commodity prices, and much of the gains made in a boom unravel in the bust that follows.

- Third, oil and other natural resources, while perhaps a source of wealth, do not create jobs by themselves, and unfortunately, they often crowd out other economic sectors. For example, an inflow of oil money often leads to currency appreciation - a phenomenon called the Dutch Disease. 58

The former body of literature is primarily concerned with the negative effects of oil resource wealth on a developing country's domestic economic policies and socio-political cleavages once the inflow of rents has already begun.<sup>59</sup> The latter body of literature focuses on political determinants of economic growth in developing countries within the constraints of the international system (Bates, 1981; Haggard, 1990). Natural resource production typically generates high economic rents. Gelb [1988], in particular, stresses that governments typically earned most of the rents from natural resource exploitation. Others argue that natural resource abundance inevitably leads to greater corruption and inefficient bureaucracies; or that high rents distract governments from investing in the ability to produce growth supporting public goods, such as infrastructure or legal codes.<sup>60</sup>

More recently, Collier and Hoeffler (2002) have shown that natural resources considerably increase the chances of civil conflict in a country. According to their estimates, the effect of natural resources on conflict is strong and non-linear. A country that has no natural resources faces a probability of civil conflict of 0.5 percent, whereas a country with natural resources-to-GDP share of 26 percent faces a probability of 23 percent. Civil conflict, of course, is an extreme manifestation of institutional collapse and the work of Collier and Hoeffler (2002) is therefore suggestive of a role for natural resources in affecting institutional quality more generally.<sup>61</sup>

## **2. Economic Structure of Central Asia Countries and Azerbaijan**

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58 Joseph E. Stiglitz The Resource Curse Revisited, <http://www.project-syndicate.org/commentary/stiglitz48>

59 Belawi and Luciani, 1987; Chaudhry, 1997; Gelb, 1988; and Karl, 1997

60 Jeffrey D. Sachs and Andrew M. Warner, NATURAL RESOURCE ABUNDANCE AND ECONOMIC GROWTH, NBER working paper

61 Xavier Sala-i-Martin Arvind Subramania, Addressing the Natural Resource Curse: An Illustration from Nigeria, Discussion Paper #:0203-15 May 2003, Newyork

After the independency of central Asian countries, there appeared many serious problems in social as well as in economical spheres. As it is known, it takes too much time and afford to rebuild all relations and to start social changes after the old system existing for a long time during the period of entering to market economy<sup>62</sup>; thus in transition economies especially transformation of the government system becomes one of the most difficult problems. Moreover, if one considers the fact, that policy makers realizing this transition came from the old socialist government traditions <sup>63</sup>, the burdens of transition period can be better understood.

Administration of these transition economies expected to face negative conditions of this process in the early years of their independency only for short period of time. However, negative sides of economy show that their optimistic expectations were not realized in practice. Firstly, difficulties occurred in the production process brought many other problems. The main of the problems was production shrinks and reduction in GDP depending on it. Many of these countries could not reach GDP level they had before the independency.

**Table 1. GDP Growth Rate (%)**

	1992	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Azerbaijan	-22,6	-11,8	11,1	9,9	10,5	11,2	10,1	26,4	34,5	25	10,8	9,3	5
Kazakhstan	-5,3	-8,2	9,8	13,5	9,8	9,3	9,6	9,7	10,7	8,9	3,3	1,2	7,3
Uzbekistan	-11,2	-0,9	3,8	4,2	4	4,2	7,7	7	7,3	9,5	9	8,1	8,5
Turkmenistan	-5,3	-7,2	18,5	20,4	15,8	17,1	17,2	13	11,4	11,8	14,7	6,1	9,2

Source: World Bank Development Indicators CD-2012,

Due to the economical dependency of these countries, during the transition period they experienced big depression between 1989 and 1996 like the capitalism lived in 1929-1933. If we consider the first decade of the transition period, in general losses appeared in production for 40-60% on average. In the transition economy, the production showed U-shape because of the reduction in the production process and results of the stabilization policy effects. <sup>64</sup>

<sup>62</sup> TİKA, Kırgızistan Ülke Raporu, Türk İşbirliği ve Kalkınma Ajansı Yayınları, Ankara, 1996, N0:31, p. 19.

<sup>63</sup> Michael BRUNO: Kriz, İstikrar Programları ve Ekonomik Reform. Çev. Zülfü Dicleli, İstanbul, 1994, p. 202.

<sup>64</sup> Emsen, Ömer Selçuk ve Değer, Kemal. Geçiş Ekonomileri ve Türkiye’de Doğrudan Yabancı Sermayenin Dinamikleri, Atatürk Üniversitesi Yayınları, Erzurum, 2005. p. 87.

### 3. Natural Resources Of Central Asian Countries and Azerbaijan

Azerbaijan, Turkmenistan, Uzbekistan and Kazakhstan have big reserve in term of petroleum and natural gas. 28 giant petroleum and gas sources are in these countries among the world there are 509. These four countries have 189 trillion fitkup (5 billion meter kup which equals 31 billion barrels petroleum) total natural gas reserve and 13 billion barrel total petroleum reserve. In term of oil, Azerbaijan takes the first place with 8 billion barrels reserve, Kazakhstan takes the second place with 2.9 billion barrels reserve, Turkmenistan takes third place with 2 billion barrels reserve and Uzbekistan takes the last place with 69 million barrels reserve. In term of natural gas, Turkmenistan has first place with 129 trillion fitkup reserve (equals 21 billion barrels petroleum), Uzbekistan has second place with 54 trillion fitkup reserve (equals 9 billion barrels petroleum), Azerbaijan 4 trillion ftkup reserve (equals 697 million barrels petroleum) and Kazakhstan has the last place with 1 trillion fitkup reserve (equals 181 million barrels petroleum).<sup>65</sup> The last research showed Kazakhstan reserves are higher than others both petroleum and natural gas. Tables below show new report.

**Table 2. Countries Petroleum Reserves**

Country	Total Approved Reserve (Billion tons)	Share in The World Reserve %	Total production (million tons)	Share in World production
Azerbaijan	1.0	0.6	15.7	% 0.4
Kazakhstan	5.4	3.3	60.5	% 1.6
Uzbekistan	0.1	0.05	6.6	% 0.2
Turkmenistan	0.1	0.05	10.1	%0.3

Source: Yeni Bir Ekonomik Güç Olarak Avrasya, DEİK, Ekim 2005

**Table 3. Countries Natural Gas Reserves**

65 Sadettin Korkmaz, DOĞAL KAYNAKLAR AÇISINDAN YENİ TÜRK DEVLETLERİ Jeoloji Muhendisliği s, 40, 20-24, 1992. p. 20

[http://www.jmo.org.tr/resimler/ekler/3aeec875c479e55\\_ek.pdf?dergi=JEOLIJ%C4%B0%20M%C3%9CHEND%C4%B0SL%C4%B0%C4%9E%C4%B0%20DERG%C4%B0S%C4%B0](http://www.jmo.org.tr/resimler/ekler/3aeec875c479e55_ek.pdf?dergi=JEOLIJ%C4%B0%20M%C3%9CHEND%C4%B0SL%C4%B0%C4%9E%C4%B0%20DERG%C4%B0S%C4%B0)

Country	Total Approved Reserve (trillion m3)	Share in The World Reserve %	Total production (billion tons)	Share in World production
Azerbaijan	48.4	% 0.8	4.6	%0.2
Kazakhstan	105.9	% 1.7	18.5	% 0.7
Uzbekistan	65.7	% 1.0	55.8	% 2.1
Turkmenistan	102.4	% 1.6	54.6	% 2.0

Source: Yeni Bir Ekonomik Güç Olarak Avrasya, DEİK, Ekim 2005

**Table 4. Exports of goods and services (% of GDP)**

	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Azerbaijan	45.6	27.9	39	40.9	42.7	42	48.7	62.9	66.5	68.1	65.7	51.5	55.1
Kazakhstan		38.9	56.6	45.8	46.9	48.4	52.5	53.5	51.1	49.4	57.2	42.	43.9
Turkmenistan	38.7	83.9	95.5	81.3	69.04	62.3	61.6	65.02	73.09	36.7	71.1	51.03	51.7
Uzbekistan	35.2	27.9	24.5	28.07	30.8	37.2	40.2	37.8	37.1	39.6	43.5	36.3	31.4

Source: World Bank Database 2012

**Table 5- Fuel exports (% of merchandise exports)**

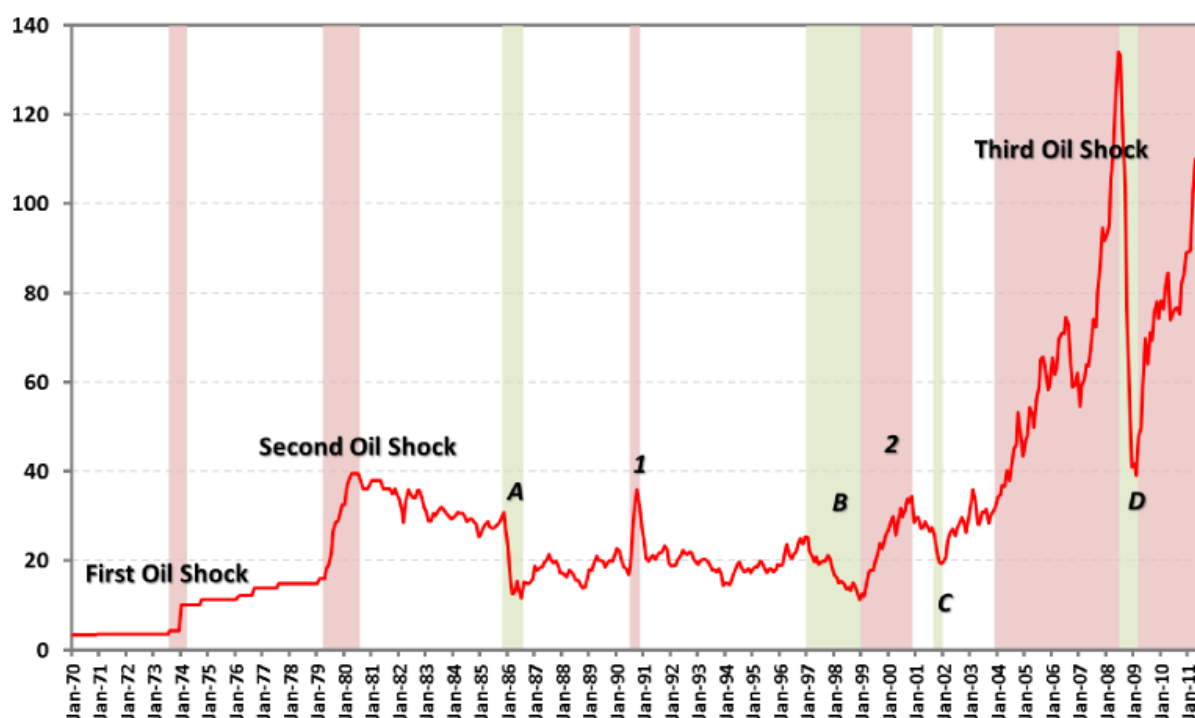
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Azerbaijan	85.08	91.3	88.9	86.01	82.2	76.7	84.5	81.3	97.08	92.8	94.5
Kazakhstan	53.8	56.7	59.05	61.8	64.8	70.6	69.4	66.5	53.8	56.7	59.05
Turkmenistan	81.0	na	na	na	na	na	na	na	na	na	na
Uzbekistan	na	na	na	na	na	na	na	na	na	na	na

Source: World Bank Database 2012

Natural resources take significant share in these countries export. In table 4 shows the natural resources share as a percentage in their export. All countries export mostly depends on natural resources.

Due to the recent oil price gains, the two countries' exports have increased sharply. Azerbaijan's exports increased to more than 60% of GDP in 2006, up from 36% in 2003, with oil exports (\$12 billion in 2006) making up more than 90% of total exports. While Kazakhstan's oil dependency is less pronounced, oil exports (\$24.6 billion in 2006) still accounted for about 60% of total exports. Additional oil export receipts (measured as an increase in oil exports between 2003 and 2006) reached 49% (Azerbaijan) and 24% (Kazakhstan) of their respective GDP in 2006. Kazakhstan saved more than 60% of the increased oil export receipts in its oil fund, while Azerbaijan saved only 12%<sup>66</sup>

**Graph 1- World Nominal Oil Price Chronology: 1970-2011**



Source: Federal Reserve Bank of St. Louis.  
<http://research.stlouisfed.org/fred2/series/OILPRICE/downloaddata?cid=98>

Graph 1 shows oil price changing since 1970 to 2006. In this period petroleum price shows fluctuation. Except at the beginning of 1980's, the oil price fluctuated between 10\$ and 30\$ in 1985 – 2000 years. After 2000, oil price increased sharply from 23\$ to 73\$ in 2006. This increase still continues, oil price was 92.93\$ on January of 2008, it exceeded even 130\$, today<sup>67</sup> oil price is 92,30 \$.

<sup>66</sup> Norio Usui, How Effective are Oil Funds? Managing Resource Windfalls in Azerbaijan and Kazakhstan, ERD Policy Brief Series No. 50, December 2007. p. 3

<sup>67</sup> 16.05.2012

**Table 6 -Oil Price in the Last decade**

Years	Price
2000	30.298
2001	25.924
2002	26.098
2003	31.140
2004	41.438
2005	56.466
2006	66.103
2007	72.363
2008	99.568
2009	61.693
2010	79.428
2011	95.077

<http://research.stlouisfed.org/fred2/series/OILPRICE/downloaddata>

Central Asian countries have large reserves of oil. The world wide very high prices of oil generates huge amount of profit for these countries.

For example Kazakhstan's growing petroleum industry account for roughly 30 percent of the country's GDP and over half of its export revenues. In an effort to reduce Kazakhstan's exposure to price fluctuations for energy and commodities exports, the government created the [National Oil Fund of Kazakhstan](#).<sup>68</sup>

In order to manage their oil income effectively these countries established stability funds. They invest some oil revenue to these funds. For example, in Azerbaijan, cumulative budget surpluses between 2003 and 2006 reached 2.1% of 2006 GDP. During the same period, assets in SOFAR increased by 5.7% of 2006 GDP, but, at the same time, the government borrowed money worth 4% of 2006 GDP from external sources (Figure 6). It is clearly inconsistent to build up funds in SOFAR and, on the other hand, borrow abroad. Given the relatively low return to investments from SOFAR (at around 3–4% in nominal dollar terms during the past few years), the government bore financial costs to fill the gap

<sup>68</sup> Kazakhstan Energy Data, Statistics and Analysis - Oil, Gas, Electricity, Coal



between the interest rate for external borrowing and investment returns to SOFAR. In contrast, Kazakhstan saved most of the cumulative budget surpluses in NFRK (15% of 2006 GDP), and paid back external debts not only to smooth out public expenditures but also to reduce future debt obligations (1.6% of 2006 GDP).<sup>69</sup>

However, the growth of profit should be effectively managed so that the economy doesn't suffer. On the other hand, in case of price falls it is important to be prepared to prevent or diminish the negative impact on the economy. Because very high dependency of economy on this resource means high risks. The economy of Azerbaijan for instance, within 34.5% growth rate of economy in 2006 the growth of agriculture was only 0.9 %. And the other important point is that agricultural production growth has slowed in last years and it become negative in 2010. The growth rate of agriculture in 2000 which was 19.5%, in 2001 decreased to 11.1%, in 2002 to 6.4% and in 2010 it was -2.2 %. The development of sectors other than oil sector has slowed in other countries too. For Kazakhstan the same process might said too. For example the growth rate of agriculture in 2001 was 17.1 while it grew -11.6 in 2010.

As known, this high income if can not be managed effectively might affect to the economy negatively.

**Table 7- Growth of Output annual change, %**

Azerbaijan	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	-7	19.5	11.1	6.4	5.6	5	7.5	0.9	4	6.1	3.5	-2.2
Industry	-13.3	-13.2	8.2	14.7	12.5	11.6	43.4	49.	32.8	9.9	10.5	4.4
Manufacturing	-14.3		-42.1	4.1	8.2	14	10.5	16.3	9	10.2	7.1	-12.6
Kazakhstan												
Agriculture	-24.3	-3.2	17.1	3.2	2.2	-0.1	7.1	6	8.9	-6.2	13.2	-11.6
Industry	-14.2	15.2	15.4	12	9.2	11.2	10.6	13.4	8.4	1.9	0.4	8.3
Manufacturing	...	....	13.7	7.6	7.9	10.1	7.1	7.9	7.6	-3	-2.8	
Turkmenistan												
Agriculture	-7	17	23	0.095	0.099	19.3	20.3	24	...	...	...	...
Industry	-6	24.4	17.3	13.2	16.2	25.8	21.8	29.7	...	24.4	17.3	...

<sup>69</sup> Norio Usui, How Effective are Oil Funds? Managing Resource Windfalls in Azerbaijan and Kazakhstan, ERD Policy Brief Series No. 50, December 2007. p. 5

Manufacturing	na	na	na	na	na	na	na	na	na	na	na	na
Uzbekistan												
Agriculture	2.0	3.2	4.1	6	6.8	10.1	6.2	6.2	6.1	4.5	5.7	6.1
Industry	-5.1	1.8	2.9	3.4	3.1	5.0	4.9	4.5	6.6	6.8	4.1	8.3
Manufacturing		-1.3	4.9	0.5	1.0	2	2	2	3.02	3.9	4	6

Sources: Worldbank database 2012

The table below shows the GDP indicators for various sectors of the economy. According to the table the share of agriculture in GDP is small in all countries. Especially in Kazakhstan economy the share of agriculture in 1999 was 12.8 while in 2005 it decreased to 6.7. The share of industry grew from 31.3 to 42.4. In Kazakhstan's sectoral base the largest speed realized in service sector. It increased from 33.4 to 55.9<sup>70</sup>.

The table below shows the GDP indicators for various sectors of the economy. According to the table the growth rate of agriculture in GDP is small in all countries. Especially in Kazakhstan economy the growth rate of agriculture in 2001 was 17.1 while it grew -11.6 in 2010. The share of manufacturing grew from 32.6 to 37.6. In Kazakhstan's sectoral base the largest speed realized in service sector. It increased from 33.4 to 55.9.

Azerbaijan	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	32.3	27.2	17.1	16.1	15.1	13.4	11.8	9.8	7.5	7.0	5.9	6.6	5.7
Industry	31.3	33.5	45.3	47.1	50.1	52.5	54.7	63.5	68.7	68.4	70.2	61.08	64.7
Manufacturing	17.6	12.5	5.6	6.7	8.07	9.3	8.9	7.01	6.1	4.08	5.04	5.9	5.8
Kazakhstan													
Agriculture	na	12.8	8.6	9.3	8.6	8.4	7.5	6.7	5.8	6.09	5.7	6.4	4.8
Industry	na	31.3	40.4	38.8	38.5	37.6	37.6	40.09	42.1	40.6	43.2	40.2	42.4
Manufacturing	na	15.2	17.6	17.6	15.5	15.2	14.1	12.8	12.4	12.3	12.6	11.3	13.1
Uzbekistan													
Agriculture	32.9	32.2	34.3	34	34.2	33.09	30.7	27.9	26.1	23.9	21.3	19.5	19.5
Industry	33.2	27.7	23.1	22.6	22.0	23.4	25.9	23.1	27.4	32.0	30.7	33.1	35.4

<sup>70</sup> www.adb.org

Manufacturing	...	11.8	9.4	9.4	9.1	9.2	10.1	9.09	10.7	12.5	12	13.2	8.9
Turkmenistan													
Agriculture	32.3	17.1	24.3	24.3	22.01	20.2	19.4	18.8	17.4	12.3	12	12	12
Industry	30.9	62.6	44.3	44.2	42.3	41.2	40.1	37.6	36.2	53.7	54	54	54
Manufacturing	n.a	40.4	10.6	14.6	15.2	18.5	21.6	na	na	na	na	na	na

**Table 8- Structure of Output % of GDP**

Sources: worldbank database 2012

Likewise in Azerbaijan's economy the share of agriculture decreased from 32.3 to 5.7; the manufacturing has also slowed down, while the share of industry increased from 31.3 to 64.7. In Uzbekistan the share of industry sector increased, but the share of agriculture decreased. This little decrease becomes vital when in the economy of Uzbekistan the production of cotton and its export is taken into consideration.

In Turkmenistan the share of industry sector increased, but the share of manufacturing decreased. Due to the problem of acquiring data for the last years makes it difficult to compare the recent changes.

**Table 9 – Unemployment rate in 2008**

Country	Rate
Azerbaijan	6,1
Kazakhstan	6,6 (2009 year)
Uzbekistan	3
Turkmenistan	10

Source: [http://www.cenimar.com/factbook/trend.jsp?tickerBase=W\\_LABU\\_&countryCode=AJ](http://www.cenimar.com/factbook/trend.jsp?tickerBase=W_LABU_&countryCode=AJ)

World development 2012

The direct employment impact of the oil boom is limited. However in Kazakhstan, Azerbaijan and Turkmenistan unemployment rate is relatively higher.

**Table 10– Poverty rate ( % population )**

Country	Rate
Azerbaijan	49

Kazakhstan	35
Uzbekistan	28
Turkmenistan	n.a.

Source: The little Data Book 2006 The World Bank.

In countries with increasing income the level of poverty is rather high. This level in provincial areas in comparison to urban areas is higher. For example, in all of Kazakhstan's oblasts the poverty headcount is higher in urban areas than in rural areas, but the rural-urban difference is especially pronounced in the oil-producing oblasts, where the poverty headcount is two to three times higher in urban compared to rural areas. In the oil-producing regions, cities may benefit from oil rents, e.g. in Mangistau oblast the town of Aktau has a poverty headcount of 18% which is well below the regional average of 40%. At the narrower geographical level, producing oil in a rayon is not a guarantee of lower poverty. In the three oblasts mixing oil-producing and non-oil-producing rayons (Aktöbe, Kyzylorda and West Kazakhstan), only four out of ten rural oil-producing rayons experience less poverty than the regional average poverty headcount (Ivashenko, 2004).<sup>71</sup>

The high rate of poverty suggests that the income from oil is not distributed fairly and equally. When we look at the Gini coefficient it can be seen unfair income distribution.

**Table 11. Gini coefficient in countries, 1988-2001**

Country	1988	2001
Azerbaijan	34.7	36.5
Kazakhstan	25.7	31.3
Uzbekistan	25.0	27.0 (2000)
Turkmenistan	26.4	40.8 (1998)

Source: World Bank, Global Poverty Monitoring web site, < <http://www.worldbank.org/research/povmonitor/>

#### 4.CONCLUSION

The governments of resource-rich Asian countries need to find a right balance between fulfilling social and infrastructure development needs (by spending oil revenues), maintaining macroeconomic stability (by sterilizing oil revenues), and saving part of oil wealth for future generations (by saving oil revenues). Policymakers need to pay close

<sup>71</sup> Richard Pomfret **WILL OIL BE A BLESSING OR A CURSE FOR KAZAKHSTAN?**  
<http://www.economics.adelaide.edu.au/research/wpapers/>

attention to the effects of higher public spending on the real exchange rate and macroeconomic stability, and should

make the best strategic use of windfall gains for achieving long term development goals. Transparent management of oil revenues is an indispensable requirement to make sure the money is well spent.<sup>72</sup>

The development of economy in sectors other than oil and gas requires an increase of investment in the sectors which can increase the rate of employment. The growth of investment in other sectors will prevent and diminish the possible crisis' negative effects and its depth in case of price falls.

Undoubtedly, the money gained from rich natural resources should be used by the countries to extend the contribution of processing of natural resources, thus facilitate the growth of capital investment. As a result, a country instead of selling natural resources will improve in processing of such resources and with the employment opportunities in the first place the contribution level of the country will impressively develop.

On the other hand, the recent increase in the food prices on the international arena forces these countries to reconsider their agricultural policies. Except for Turkmenistan, potential of other countries should be utilized to increase the contribution of agriculture to the economy by those facilities that will solve urbanization problems and stimulate the use of labor force. This will positively impact the employment rate and contribute to the social-economic development. Therefore, a fair distribution of income and decrease of poverty rate will be achieved.

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<sup>72</sup> Norio Usui, How Effective are Oil Funds? Managing Resource Windfalls in Azerbaijan and Kazakhstan, ERD Policy Brief Series No. 50, December 2007. p. 11.

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3<sup>rd</sup> International Symposium on Sustainable Development, May 31 - June 01 2012, Sarajevo

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